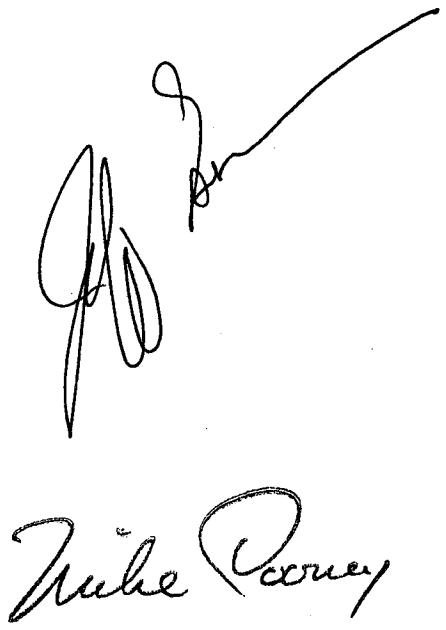
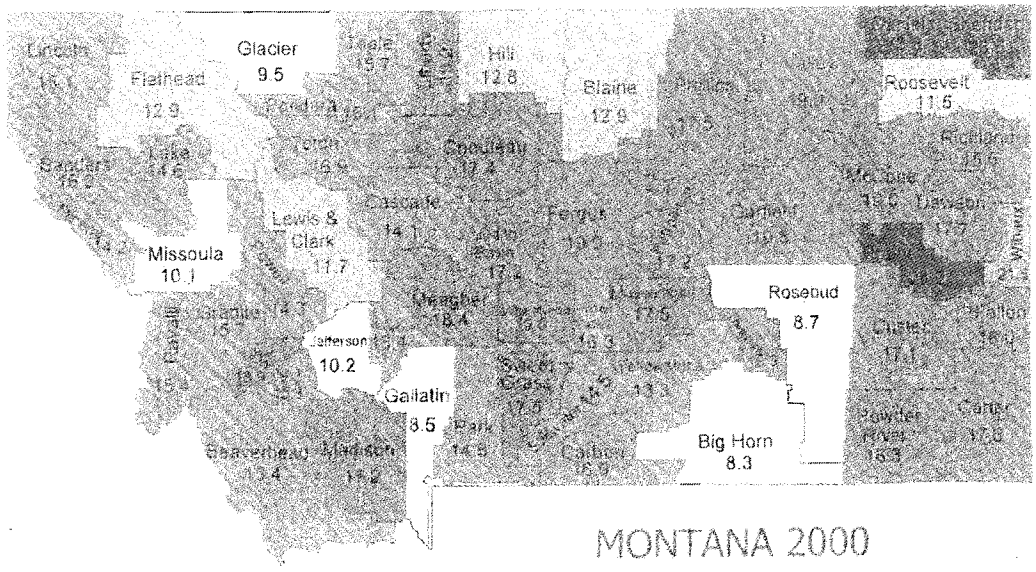
EXHIBIT 1
DATE 4.23.07
SB SJ 31

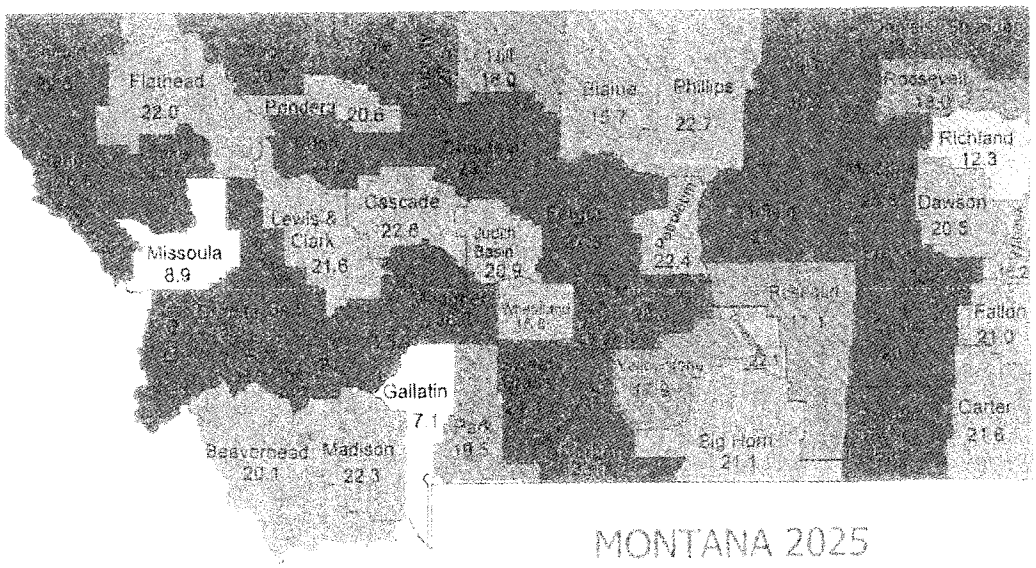
SJR 31

A PROPOSAL FOR AN INTERIM STUDY OF A NEW METHOD OF SCHOOL FUNDING EQUALIZATION

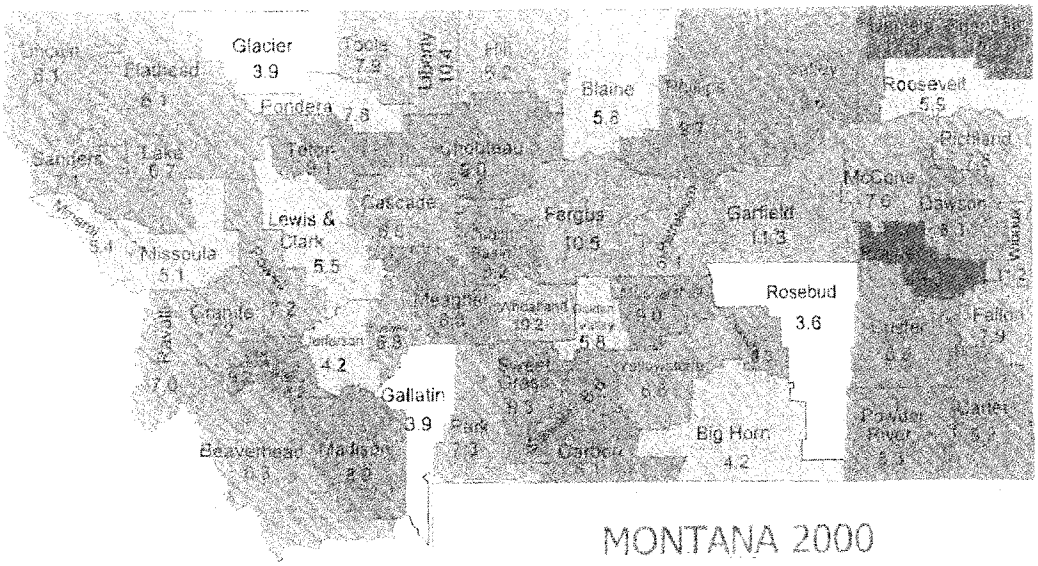


PERCENTAGE OF 65 YEARS OF AGE AND OLDER BY COUNTY





PERCENTAGE OF 75 YEARS OF AGE AND OLDER BY COUNTY

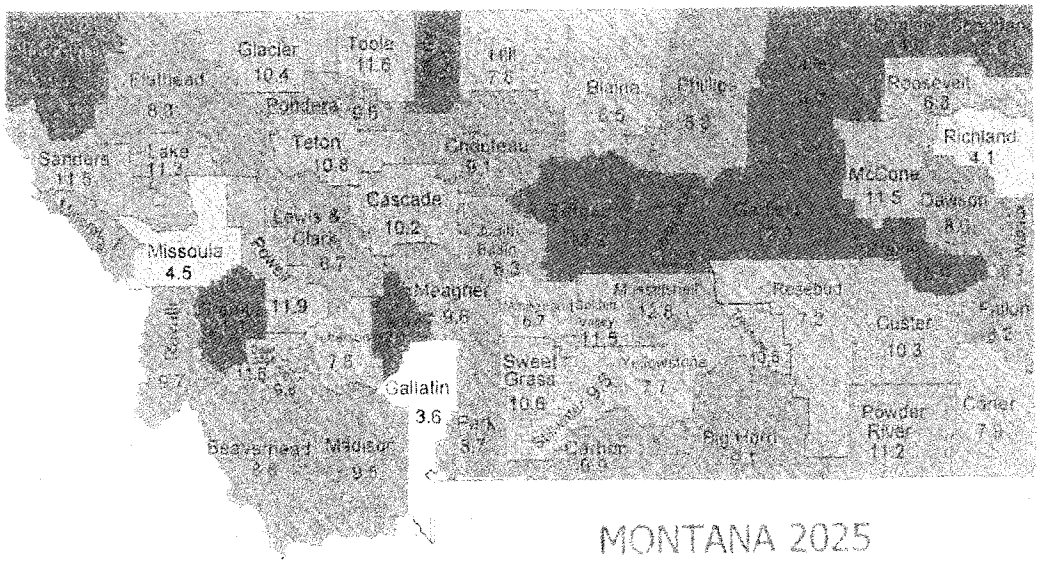


MONTANA 2000

PERCENT OF COUNTY POPULATION 75+

Range = 3.6% to 12.1%
Mean = 8.6%
Median = 8.0%

- 2.0 to 3.9
- 4.0 to 6.9
- 6.0 to 7.9
- 8.0 to 9.9
- 10.0 to 11.9
- 12 and over



MONTANA 2025

PERCENT OF COUNTY POPULATION 75+

Range = 3.6% to 12.1%
Mean = 8.6%
Median = 8.0%

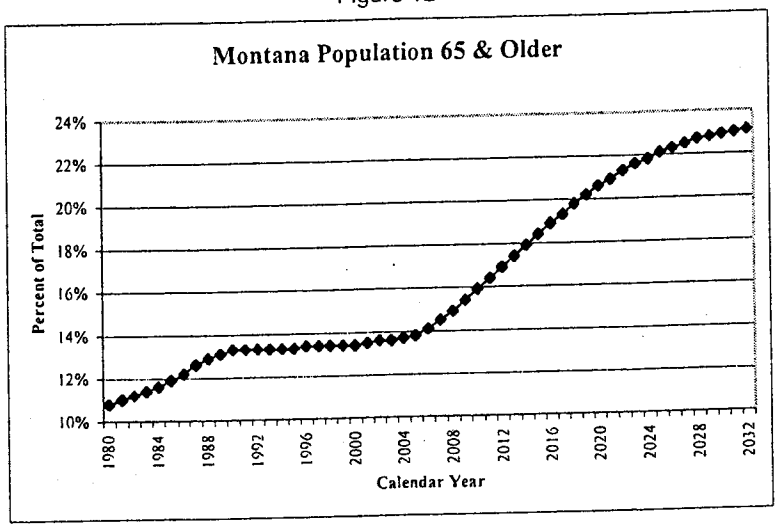
- 2.0 to 3.9
- 4.0 to 6.9
- 6.0 to 7.9
- 8.0 to 9.9
- 10.0 to 11.9
- 12 and over

DP-1: Profile of General Demographic Characteristics: 2000
Data Set: Census 2000 State Legislative District Summary File (100-Percent)
Geographic Area: State Senate District 28, Montana
NOTE: For information on confidentiality protection, nonsampling error, definitions, and count corrections see http://factfinder.census.gov/home/en/datanotes/expsldh.html.

Subject	Number	Percent
Total population	18,022	100.0
SEX AND AGE		
Male	8,463	47.0
Female	9,559	53.0
Under 5 years	1,030	5.7
5 to 9 years	1,218	6.8
10 to 14 years	1,237	6.9
15 to 19 years	1,124	6.2
20 to 24 years	805	4.5
25 to 34 years	1,877	10.4
35 to 44 years	2,608	14.5
45 to 54 years	2,572	14.3
55 to 59 years	995	5.5
60 to 64 years	841	4.7
65 to 74 years	1,737	9.6
75 to 84 years	1,343	7.5
85 years and over	635	3.5
Median age (years)	41.9	(X)
18 years and over	13,787	76.5
Male	6,308	35.0
Female	7,479	41.5
21 years and over	13,257	73.6
62 years and over	4,245	23.6
65 years and over	3,715	20.6
Male	1,473	8.2
Female	2,242	12.4
RACE		
One race	17,799	98.8
White	17,339	96.2
Black or African American	38	0.2
American Indian and Alaska Native	228	1.3
Asian	111	0.6
Asian Indian	6	0.0
Chinese	36	0.2
Filipino	2	0.0
Japanese	25	0.1
Korean	29	0.2
Vietnamese	4	0.0
Other Asian [1]	9	0.0
Native Hawaiian and Other Pacific Islander	2	0.0
Native Hawaiian	2	0.0
Guamanian or Chamorro	0	0.0
Samoan	0	0.0
Other Pacific Islander [2]	0	0.0
Some other race	81	0.4
Two or more races	223	1.2
Race alone or in combination with one or more other races [3]		
White	17,552	97.4
Black or African American	70	0.4
American Indian and Alaska Native	339	1.9
Asian	168	0.9
Native Hawaiian and Other Pacific Islander	6	0.0
Some other race	125	0.7
HISPANIC OR LATINO AND RACE		
Total population	18,022	100.0
Hispanic or Latino (of any race)	346	1.9

20.6

Figure 12



Starting in calendar 1991 through 2002, this trend waned with the percentage of residents in this age bracket remaining quite constant. From calendar 2002 to 2024 this trend is once again changing, showing a significant percentage of Montana's total population in the 65 and older age range. If these projections are correct, by calendar 2025 one out of every five Montanan's will be at least 65 years old.

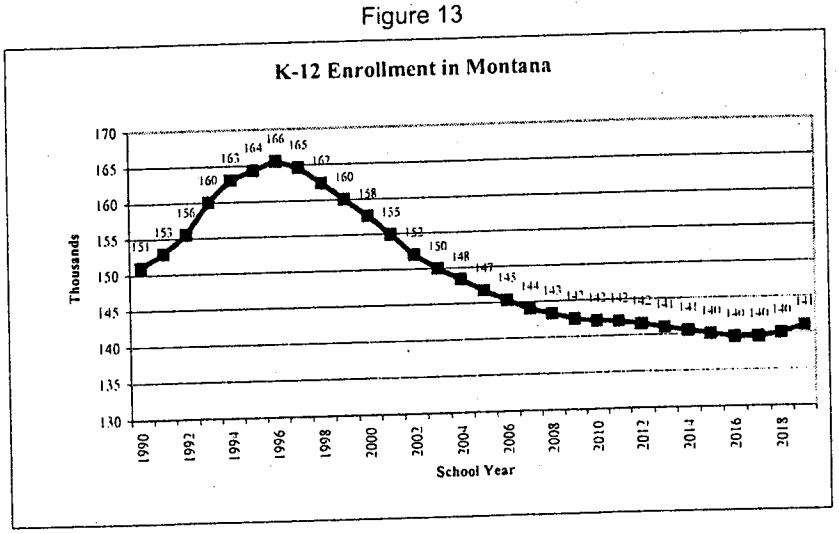
The primary cause of this rising population change is the maturing of the baby-boomer generation, born between 1946 and 1965. Montana, like other state and local governments, will need to address the issues relative to changing demographics. As Montana's population ages, issues relative to an economy that will be required to support these changes and the implications for medical and long-term care costs must be addressed.

With a growing elderly population, the legislature will need to address how the working-age population can support a significantly older population. In addition to the associated costs of caring for the elderly, the level of income these individuals have and ultimately how much they will pay in taxes could have a substantial impact on state government finances. Given the expected dramatic changes in the age structure of our population, it is imperative the legislature begin thinking about these issues and how they may be addressed in the future.

School Enrollment

In addition to our aging population, Montana has experienced a significant change in enrollment in our elementary and secondary public schools. As shown in Figure 13, Montana's total enrollment was in excess of 165,000 children in school year 1996. From this time forward, total enrollment is expected to decline to about 140,000 students by school year 2015. Beyond 2015, enrollment is estimated to increase, but at a fairly moderate rate. The significance of this change is the costs associated with funding our current public school system. Under current law, state expenditures for public schools are primarily driven by the enrollment in each district. If enrollment declines, then the

Figure 13



Reasons for Disparities in Mill Levies

There are two types of reasons for disparities in school district mill levies: differences in spending and differences in district revenue capacities.

Spending Differences

BASE spending levels are a fixed amount per district plus an amount per student. Thus, BASE spending per student is higher for smaller districts. Districts may have general fund spending up to 20% more than their BASE amount, and in a few cases can exceed this cap. Districts also vary in their spending on student transportation, debt service, and other non-general fund expenses. Spending differences are not addressed in this report.

Revenue Capacity Differences

Schools receive revenue from property taxes and from other sources, collectively called non-levy revenue. District revenue capacities differ in two ways. The taxable value of property per student differs between districts, and non-levy revenue per student differs between districts. Property tax revenue equals the taxable value of property in a district multiplied by the mill levy. A district with higher taxable value per student can raise the same property tax revenue per student with a lower mill levy. A district with higher non-levy revenue per student can support the same level of spending per student with less revenue from property taxes.

State guaranteed tax base aid (GTBA) limits the effect of low taxable value per student. GTBA provides a subsidy that essentially guarantees a minimum amount of revenue per mill for a school district's BASE general fund levy and certain other mill levies. This places an upper limit on mills that must be levied for the funds where the state provides GTBA. GTBA does not affect districts with high taxable value, and there is no lower limit on mill levies.

Differences in the Taxable Value of Property

Table 5 shows the highest and lowest taxable value per student (average number belonging or ANB) and the median for each type of school district.

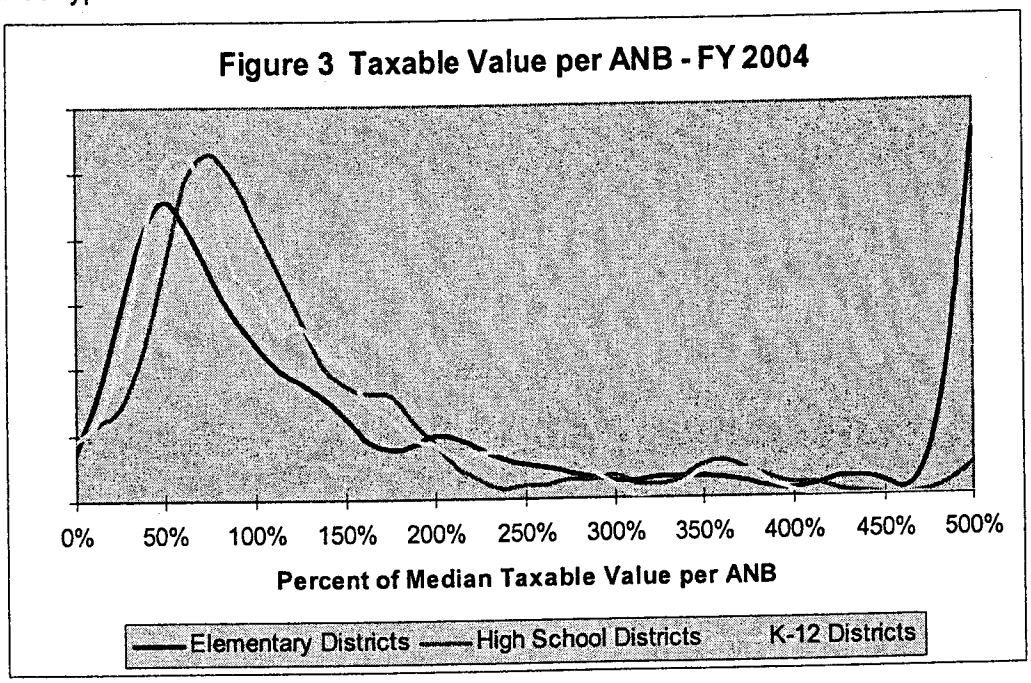
Table 5
Range of Taxable Value per ANB - FY 2004 (Calendar Year 2003)

	Elementary Districts	High School Districts	K-12 Districts
# of Districts	271	110	55
Lowest TV/ANB	$91	$500	$411
Median TV/ANB	$23,158	$36,263	$17,910
Highest TV/ANB	$607,565	$271,632	$68,445

The median taxable value per student is about $23,000 for elementary districts, about $36,000 for high school districts, and about $18,000 for K-12 districts. For elementary districts, the lowest taxable value per student is less than $100 and the highest is more than $600,000. For high school districts, the lowest taxable value per student is $500 and the highest is about $270,000. The difference is not quite as extreme for K-12 districts, with the lowest taxable value per student being about $400 and the highest about $68,000.

Figure 3 shows the distribution of taxable value per ANB, as a percent of the median, for the three types of district.

Figure 3 Taxable Value per ANB - FY 2004



All three distributions have a peak at less than the median and a long right tail of values much higher than the median. The elementary district distribution appears to have a second peak at 500% of the median, but this is because the graph only goes that high. It actually shows that about 10% of elementary districts have taxable value per student more than five times higher than the median.

Table 6 shows measures of concentration and dispersion of taxable value per student.

Table 6
Dispersion of Taxable Value per ANB

	Elementary Districts	High School Districts	K-12 Districts
2/3 of districts have TV/ANB within this percent of the median	87.0%	55.0%	55.0%
10% of districts have TV/ANB at least this percent lower than the median	58.9%	49.2%	53.5%
10% of districts have TV/ANB at least this percent higherer than the median	427.2%	124.5%	137.4%

All three distributions have significant peaks at less than the median value, but significant numbers of districts are outside the peaks. The distributions of taxable value per student are less concentrated than the distributions of required mills because GTBA limits the mills that must be levied by districts with low taxable value per student. This can be seen by comparing the first row of Table 6 with the first rows of Tables 2 and 4. For high school and K-12 districts, the band containing taxable value per student for two-thirds of districts extends 55% on either side of the median, and for elementary districts, it is 87%. Tables 2 and 4 show that, in all but one case, two-thirds of mill levies are within 45% or less of the median.

All three distributions have a significant number of districts much higher than the median. The top 10% of high school and K-12 districts have taxable value per student more than twice the median, and the top 10% of elementary districts have taxable value per student more than five times the median.

Differences in Non-Levy Revenue

Districts receive a number of types of non-levy revenue. Two significant types of non-levy revenue that vary by school district are the school districts' shares of the oil and gas production tax and the coal gross proceeds tax.

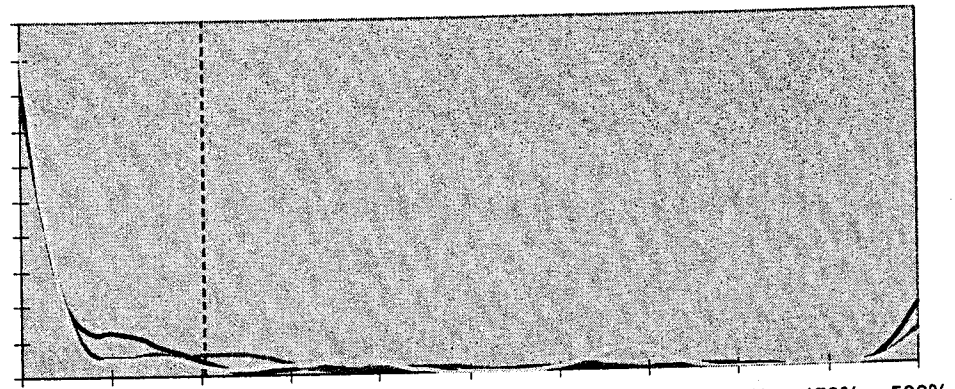
Table 7 shows the lowest and highest amounts of revenue per student from the oil and gas production tax and the coal gross proceeds tax. It also shows the percent of districts with no revenue per student from these taxes and the average revenue per student. (Since the majority of districts receive no revenue from these taxes, the median revenue per student is zero.)

Table 7
Range of Coal, Oil, and Gas Tax per ANB - FY 2004

	Elementary Districts	High School Districts	K-12 Districts
# of Districts	279	110	55
Lowest $/ANB	$0	$0	$0
Highest $/ANB	$8,619	$14,019	$12,572
# with $0/ANB	60	40	24
% with $0/ANB	65.6%	63.6%	58.2%
Mean $/ANB	$1,124	$1,235	$2,451

Within the group of districts that receive oil, gas and coal revenue, the revenue per student is very unevenly distributed. Figure 4 shows the distributions of revenue per student for the three types of districts. Most districts receive less than half the average revenue per student, while a few districts receive several times the average revenue per student.

Figure 4 Oil, Gas and Coal Tax per ANB - FY 2004
Districts with Revenue



The maps on the next two pages show the school districts that receive revenue from the oil and gas production tax and the coal gross proceeds tax.

Business Grouping - Classes 1,2,5,7,8,9,12, & 13

Elementary Districts

This table and chart display the taxable value per ANB.
(School District Taxable Value / Districts ANB)

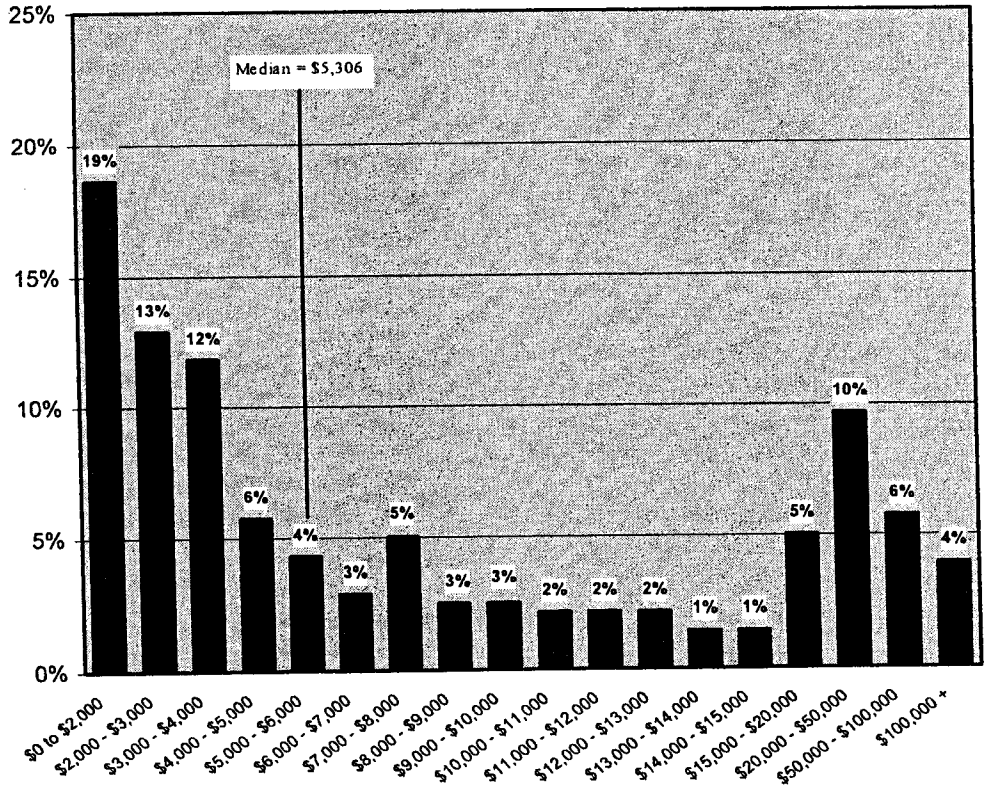
Taxable Value Per ANB Distribution

% Change Bracket	Districts in Bracket	% in Bracket	Cumulative Number	Cumulative Percent
$0 to $2,000	52	18.6%	52	18.6%
$2,000 - $3,000	36	12.9%	88	31.5%
$3,000 - $4,000	33	11.8%	121	43.4%
$4,000 - $5,000	16	5.7%	137	49.1%
$5,000 - $6,000	12	4.3%	149	53.4%
$6,000 - $7,000	8	2.9%	157	56.3%
$7,000 - $8,000	14	5.0%	171	61.3%
$8,000 - $9,000	7	2.5%	178	63.8%
$9,000 - $10,000	7	2.5%	185	66.3%
$10,000 - $11,000	6	2.2%	191	68.5%
$11,000 - $12,000	6	2.2%	197	70.6%
$12,000 - $13,000	6	2.2%	203	72.8%
$13,000 - $14,000	4	1.4%	207	74.2%
$14,000 - $15,000	4	1.4%	211	75.6%
$15,000 - $20,000	14	5.0%	225	80.6%
$20,000 - $50,000	27	9.7%	252	90.3%
$50,000 - $100,000	16	5.7%	268	96.1%
$100,000 +	11	3.9%	279	100.0%

Summary

49.1% of districts have less than $5,000 of TV per ANB
The median TV per ANB for this group is $5,307

Elementary School Districts Taxable Value per ANB
Fiscal Year 2004



Taxable Value per ANB

For example, 2.9% of school districts have TV per ANB from $6,000 to $7,000

Business Grouping - Classes 1,2,5,7,8,9,12, & 13

High School and K-12

This table and chart display the taxable value per ANB.
(School District Taxable Value / Districts ANB)

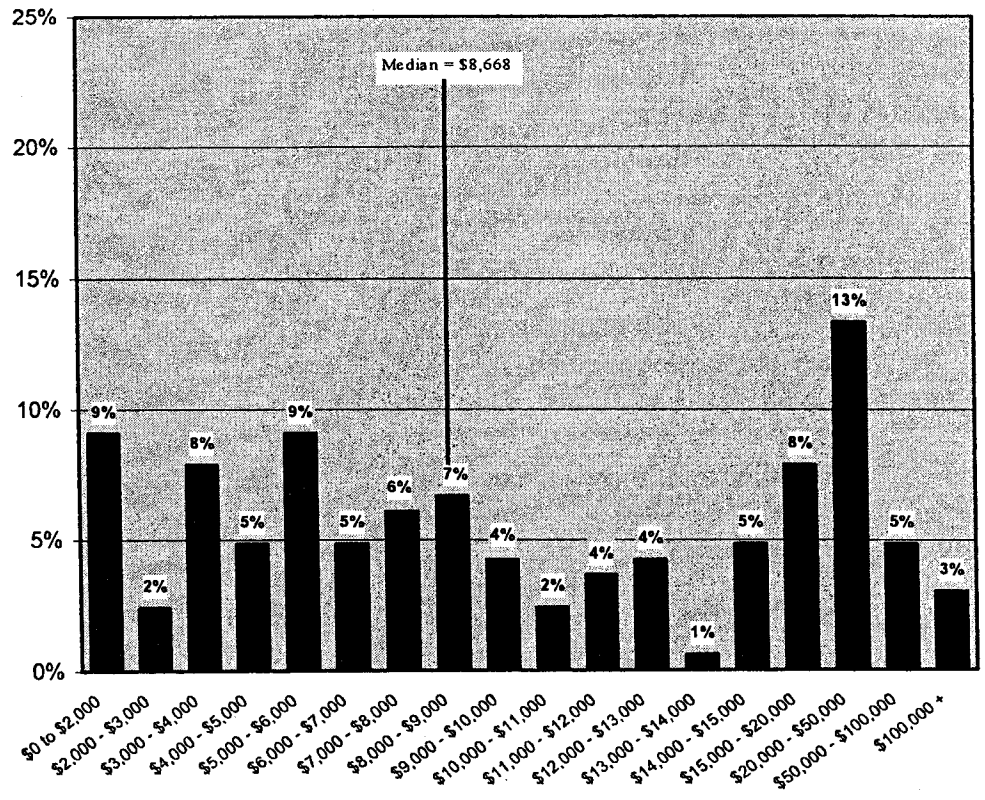
Taxable Value Per ANB Distribution

% Change Bracket	Districts in Bracket	% in Bracket	Cumulative Number	Cumulative Percent
$0 to $2,000	15	9.1%	15	9.1%
$2,000 - $3,000	4	2.4%	19	11.5%
$3,000 - $4,000	13	7.9%	32	19.4%
$4,000 - $5,000	8	4.8%	40	24.2%
$5,000 - $6,000	15	9.1%	55	33.3%
$6,000 - $7,000	8	4.8%	63	38.2%
$7,000 - $8,000	10	6.1%	73	44.2%
$8,000 - $9,000	11	6.7%	84	50.9%
$9,000 - $10,000	7	4.2%	91	55.2%
$10,000 - $11,000	4	2.4%	95	57.6%
$11,000 - $12,000	6	3.6%	101	61.2%
$12,000 - $13,000	7	4.2%	108	65.5%
$13,000 - $14,000	1	0.6%	109	66.1%
$14,000 - $15,000	8	4.8%	117	70.9%
$15,000 - $20,000	13	7.9%	130	78.8%
$20,000 - $50,000	22	13.3%	152	92.1%
$50,000 - $100,000	8	4.8%	160	97.0%
$100,000 +	5	3.0%	165	100.0%

Summary

50.9% of districts have less than $9,500 of TV per ANB
The median TV per ANB for this group is $8,668

High School & K-12 School Districts Taxable Value per ANB
Fiscal Year 2004



Taxable Value per ANB
For example, 9.1% of school districts have TV per ANB from $4,500 to $5,500

Class 13, Telecommunication & Electric Gen. Property

Elementary Districts

This table and chart display the taxable value per ANB.
(School District Taxable Value / Districts ANB)

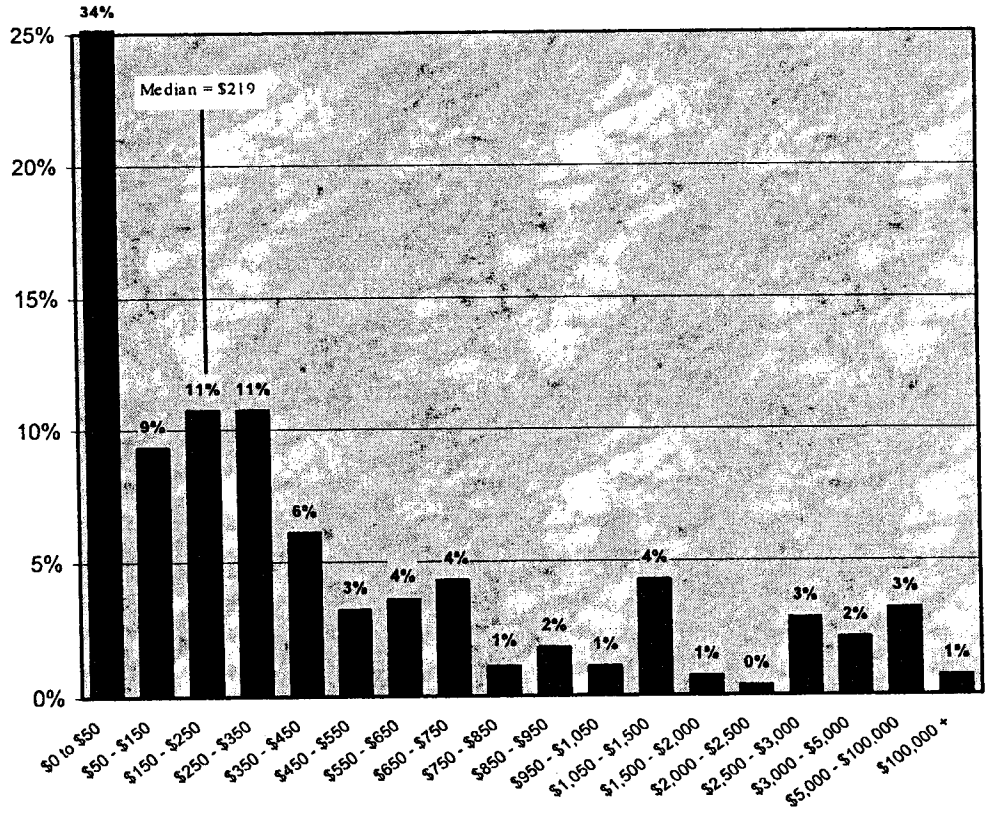
Taxable Value Per ANB Distribution

% Change Bracket	Districts in Bracket	% in Bracket	Cumulative Number	Cumulative Percent
$0 to $50	94	33.7%	94	33.7%
$50 - $150	26	9.3%	120	43.0%
$150 - $250	30	10.8%	150	53.8%
$250 - $350	30	10.8%	180	64.5%
$350 - $450	17	6.1%	197	70.6%
$450 - $550	9	3.2%	206	73.8%
$550 - $650	10	3.6%	216	77.4%
$650 - $750	12	4.3%	228	81.7%
$750 - $850	3	1.1%	231	82.8%
$850 - $950	5	1.8%	236	84.6%
$950 - $1,050	3	1.1%	239	85.7%
$1,050 - $1,500	12	4.3%	251	90.0%
$1,500 - $2,000	2	0.7%	253	90.7%
$2,000 - $2,500	1	0.4%	254	91.0%
$2,500 - $3,000	8	2.9%	262	93.9%
$3,000 - $5,000	6	2.2%	268	96.1%
$5,000 - $100,000	9	3.2%	277	99.3%
$100,000 +	2	0.7%	279	100.0%

Summary

53.8% of districts have less than $250 of TV per ANB
The median TV per ANB for this group is $219

Elementary School Districts Taxable Value per ANB
Fiscal Year 2004



Taxable Value per ANB
For example, 9.3% of school districts have TV per ANB from $50 to $150

Class 13, Telecommunication & Electric Gen. Property

High School and K-12

This table and chart display the taxable value per ANB.
(School District Taxable Value / Districts ANB)

Taxable Value Per ANB Distribution

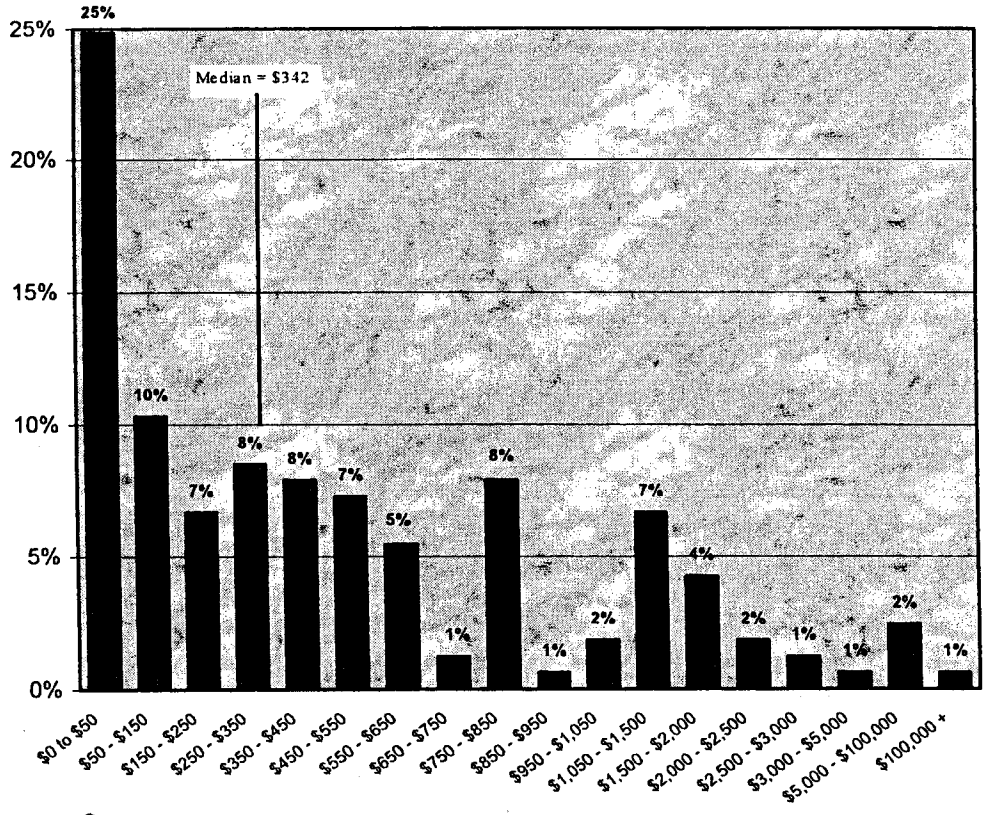
% Change Bracket	Districts in Bracket	% in Bracket	Cumulative Number	Cumulative Percent
$0 to $50	41	24.8%	41	24.8%
$50 - $150	17	10.3%	58	35.2%
$150 - $250	11	6.7%	69	41.8%
$250 - $350	14	8.5%	83	50.3%
$350 - $450	13	7.9%	96	58.2%
$450 - $550	12	7.3%	108	65.5%
$550 - $650	9	5.5%	117	70.9%
$650 - $750	2	1.2%	119	72.1%
$750 - $850	13	7.9%	132	80.0%
$850 - $950	1	0.6%	133	80.6%
$950 - $1,050	3	1.8%	136	82.4%
$1,050 - $1,500	11	6.7%	147	89.1%
$1,500 - $2,000	7	4.2%	154	93.3%
$2,000 - $2,500	3	1.8%	157	95.2%
$2,500 - $3,000	2	1.2%	159	96.4%
$3,000 - $5,000	1	0.6%	160	97.0%
$5,000 - $100,000	4	2.4%	164	99.4%
$100,000 +	1	0.6%	165	100.0%

Summary

50.3% of districts have less than $350 of TV per ANB
The median TV per ANB for this group is $342

A-4

High School & K-12 School Districts Taxable Value per ANB
Fiscal Year 2004



Taxable Value per ANB
For example, 10.3% of school districts have TV per ANB from $50 to $150